



## Board Report

File #: 2018-0152, File Type: Contract

Agenda Number: 46.

**REVISED  
CONSTRUCTION COMMITTEE  
JUNE 21, 2018**

**SUBJECT: WESTSIDE PURPLE LINE EXTENSION SECTION 3  
PROJECT**

**ACTION: APPROVE RECOMMENDATIONS**

### **RECOMMENDATION**

CONSIDER:

- A. ESTABLISHING a Life-of-Project (LOP) Budget of \$1,374,826,466 for the Tunnels portion of the Westside Purple Line Extension Section 3 Project;
- B. AUTHORIZING the Chief Executive Officer (CEO) to award a 49-month firm fixed price Contract No. C1151, subject to the Federal Transit Administration (FTA) approval of a Letter of No Prejudice (LONP), to Frontier-Kemper/Tutor Perini JV, the technically acceptable lowest evaluated price, responsive and responsible Proposer for the final design and construction of the Westside Purple Line Extension Section 3 Project (Project) Tunnels in the amount of \$410,002,000, subject to resolution of protest(s), if any; and
- C. APPROVING the Measure R Cost Management Process and Policy analysis and funding strategy in Attachment D to use up to \$300 million of Measure R funds from the Westside Purple Line Extension line in the Measure R Expenditure Plan and other funds to meet the new total project cost and revenue assumptions in the Long Range Transportation Plan Financial Forecast.

### **ISSUE**

In February 2016, the Board authorized staff to begin the necessary steps to advance the project delivery of the Westside Purple Line Extension Section 3 Project as part of the Shovel Ready Program of Projects, which included the advancement of other Measure R Projects. In January 2017, the Board approved the Project contracting delivery approach.

In consideration of advancing the Project, three procurement packages were established to meet the desired project delivery schedule. The first was the Advanced Utility Relocations contract which was awarded in October 2017 under the FTA pre-award authority. The major project work was separated

into two discrete design/build procurements: 1) Tunnels and 2) Stations, Trackwork, Systems and Testing.

The action to award the Tunnels Contract is subject to receiving an LONP from the FTA. An LONP would permit Metro to award the contract and retain eligibility for future federal funding. Metro requested the LONP in September 2017 in order to advance the tunnel work prior to receiving a Full Funding Grant Agreement (FFGA) for the entire project scope. Staff has been working closely with the FTA for the issuance of both the entry into the Engineering phase of the New Starts program and the LONP.

The establishment of the LOP Budget for the Tunnels portion of the Project at the time of contract award is consistent with the recommendations in the Office of the Inspector General (OIG) Construction Management Best Practices Study Report and lessons learned regarding establishing final budgets, when adequate information (such as the recommended price) is available.

## **BACKGROUND**

The Westside Purple Line Extension Section 3 Project consists of approximately 2.59 miles of twin-bored tunnels and two underground stations located at Westwood/UCLA and Westwood/VA Hospital. Advanced utility relocation work has begun under pre-award authority that was granted by the FTA in 2012 upon approval of the Record of Decision. The major design and construction work will be performed under two contracts; C1151 for the twin bore tunnels and C1152 for the stations, trackwork, systems and testing.

The recommended actions to approve an LOP Budget for the first phase of the Project and to award Contract C1151 are consistent with the approval actions taken by the Board in February 2016 and January 2017. The LOP Budget also includes \$11,730,870 of concurrent non-federally eligible project activities. These concurrent activities include the planning/environmental phase of the Project, real estate loss of business goodwill, additional insurance coverage and certain community relations expenses. The funding plan is outlined in Attachment C.

On January 19, 2017, the Board authorized staff to use a design/build contracting delivery approach to complete the final design and construction of the Project and to solicit two contracts for the 2.59 mile dual track heavy rail extension and two new underground stations. The Board authorized the procurement under Public Utilities Code (PUC) Section 130242(a) and Public Contract Code Sections 22160 - 22169 to reduce project costs, expedite project completion and allow for an award to the lowest responsive and responsible bidder, or the negotiation and award of a design/build contract to a responsible proposer whose proposal is determined to be the best value to Metro.

On April 19, 2017, a Request for Qualifications (RFQ)/Request for Proposals (RFP) was issued, using a competitive negotiated procurement process to select a contractor for the design build delivery for Contract No. C1151, Westside Purple Line Extension Section 3 Tunnels Project - Design/Build. The evaluation consisted of a three requisite process: Statement of Qualifications,

Technical Proposals, and Administrative/Price Proposals, which resulted in five firms meeting the requirements of qualification and technical acceptability and subsequently invited to submit administrative/price proposals. Additional details for the procurement process, including the evaluation results, are in Attachment A.

## **DISCUSSION**

The recommended action to award the Contract to Frontier-Kemper/Tutor Perini JV is based on a Proposal determined to have met all the requirements set forth in the RFP with a technically acceptable, "Lowest Evaluated Price" selection process. Pursuant to PUC Section 130242(a), the RFP established an evaluation process of technical proposals that met the requirement of technical acceptability, excluding cost/price factors, and the Lowest Evaluated Price.

After a thorough and extensive competitive procurement process, staff recommends Frontier-Kemper/Tutor Perini JV as the contracting team for the final design and construction of the Tunnels.

### *New Total Project Cost*

The \$300 million cost increase for all phases of the project including the tunnels is due to two factors: (1) \$109.1 million of the cost increase is the result of an updated Metro project cost estimate and (2) \$190.9 million is due to the results of the recent FTA Risk Review. The primary cause of the \$109.1 million increase in the Metro cost estimate is the current real estate market conditions for property acquisitions which is \$98.5 million higher than the original estimate. Scope changes reflect a \$50 million increase to improve operation efficiency with two crossovers at the terminal station. In addition, an update to the vehicle procurement cost estimate of \$2 million places the total cost increase at \$150.5 million.

To offset the cost increase, staff evaluated all mitigation measures and identified savings from construction means and methods by eliminating the Sequential Excavation Method (SEM) and replacing it with the open cut excavation method, and securing a commitment from Southern California Edison to provide permanent power for tunneling operations instead of the contractor having to use temporary power. Both of these measures, plus other minor savings from the cost estimate refinement attribute a total cost decrease of \$52.2 million.

With the offset from the mitigation measures, the net cost increase is \$98.3 million. An 11% contingency for unforeseen risk places the total cost increase to the Metro cost estimate at \$109.1 million.

The \$190.9 million additional cost increase for all phases of the project including the tunnels is based upon the results of the recent FTA Risk Review that was conducted by the FTA's Project Management Oversight Contractor. The review was an independent and objective evaluation of the Project and was required by a recent change as part of the FTA's entry to Engineering review process. The current administration has placed more scrutiny and more requirements on transit

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agencies seeking New Starts funding under the Capital Investment Grant (CIG) Program that had not been seen on past Metro New Starts Projects. Metro requested approval to enter in Engineering in April 2017.

At this time, it is prudent for Metro staff to move forward with FTA's proposed recommendation since an additional financial capacity assessment review will be conducted by FTA's Financial Management Oversight Contractor prior to receiving approval to enter the Engineering phase. An approval to enter Engineering is a prerequisite to receiving an LONP.

### **DETERMINATION OF SAFETY IMPACT**

This Board action will not have an impact on established safety standards for Metro's construction projects.

### **FINANCIAL IMPACT**

Cumulative funds required through fiscal year 2019, in the amount of \$268,275,191, are included in Project 865523 Westside Purple Line Extension Section 3 Project, in Cost Center 8510 (Construction Project Management), and Account Number 53101 (Acquisition Building and Structure).

Since this is a multi-year Project, the Chief Program Management Officer and the Project Manager will be responsible for budgeting costs in future fiscal years.

#### **Impact to Budget**

The sources of funds for the recommended actions are Measure R 35% and Measure M 35%. The approved FY18 and FY19 budgets are designated for the Westside Purple Line Extension Project and do not have an impact to operations funding sources. The Project is not eligible for Propositions A and C funding due to the proposed tunneling element of the Project. No other funds were considered.

#### **Multiyear Impact**

The sources of funds for the Project are capital funds identified in the recommended Funding/Expenditure Plan as shown in Attachment C. The project cost, prior to the proposed cost increase, was included and funded in the 2017 Long Range Transportation Plan Financial Forecast. With respect to the \$300 million increase, Attachment D shows the Measure R Cost Management Process and Policy analysis and funding strategy required for cost increases to Measure R Projects. To comply with the Policy of the Metro Board of Directors, Metro staff has evaluated potential offsetting cost reductions, including value engineering, shorter segment, and reductions to other

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projects in the corridor and subregion, and has determined these are not feasible, and that additional Measure R funds required for this Project are available from the projected remaining Measure R 35% Transit funds committed to the Westside Purple Line Extension Sections 1, 2, and 3 collectively. The Measure R ordinance allocates up to \$4 billion for the Westside Subway Extension, and this amount, including allocated interest expense, has not been fully allocated to Westside Purple Line Extension Sections 1, 2, and 3. The allocation of funding for the cost increase may result in the accelerated use of Measure R funds, and the issuance of additional debt, which will require additional interest expense. In addition to Measure R 35%, local agency contributions, and state and federal formula grant funding are projected to be available in the Long Range Transportation Plan Financial Forecast for a portion of the \$300 million cost increase.

### **ALTERNATIVES CONSIDERED**

The Board may choose to not move forward with the contract award and adopting an LOP Budget for the first Project phase. This is not recommended as this is an adopted project within the Long Range Transportation Plan, and not moving forward with the recommendations will delay the schedule, increase the cost of the Project, and jeopardize \$1.3 billion in New Starts funding from the FTA, as well as jeopardize completion of the Westside Purple Line Extension Section 3 Project by 2026.

### **NEXT STEPS**

Upon approval by the Board and the receipt of an LONP, Metro will issue a Notice-of-Award, execute a contract with the recommended Design/Build Contractor and once bonds, insurance, and project labor agreement requirements are met; issue a Contract Notice-to-Proceed.

### **ATTACHMENTS**

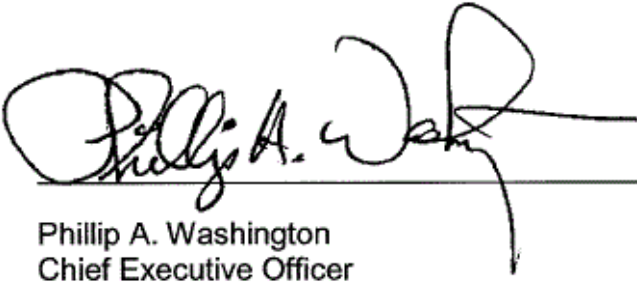
- Attachment A - Procurement Summary
- Attachment B - DEOD Summary - REVISED
- Attachment C - Funding/Expenditure Plan
- Attachment D - Measure R Cost Management Process and Policy Analysis

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